

Message Text

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ORIGIN DOE-15

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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY
INFO AMEMBASSY BONN PRIORITY

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E.O. 11652:N/A

TAGS: TECH, ENGR

SUBJECT: POSSIBLE JAPANESE PARTICIPATION IN US SOLVENT
REFINED COAL PROGRAM

1. ON 15 JUNE DOE OFFICIALS, DURING COURTESY CALL BY
HYODO, DIRECTOR FOR ENERGY, MOFA AND MATSUURA, ECONOMIC
COUNSELOR IN EMBASSY, RAISED QUESTION OF POSSIBLE JAPANESE
INTEREST IN PARTICIPATING IN CONSTRUCTION OF SRC II (A
DEMONSTRATION PLANT FOR CONVERSION OF COAL TO LIQUID FUELS
USING SOLVENT REFINED COAL PROCESS). THEY NOTED THAT FRG
WAS PLANNING TO PARTICIPATE AND DOE WOULD LIKE TO KNOW
IF JAPANESE HAVE ANY INTEREST IN DISCUSSING POSSIBLE
PARTICIPATION. MATSUURA STATED THAT HE HAD VERY LITTLE
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KNOWLEDGE OF THE SRC PROCESS AND WOULD LIKE TO HAVE
ADDITIONAL INFORMATION.

2. SUBSEQUENTLY, ON 26 JUNE DOE PROVIDED FOLLOWING STATE-
MENT TO MATSUURA: (A) BACKGROUND--WORK ON THE SOLVENT
REFINED COAL (SRC) PROCESS COMMENCED IN 1962. IT IS THE
MOST MATURE OF THE COAL LIQUEFACTION TECHNOLOGIES WITH TWO

OPERATING PILOT PLANTS. IN THE THREE PLUS YEARS OF PILOT PLANT OPERATION, MANY DIFFERENT COALS HAVE BEEN SUCCESSFULLY TESTED. SRC IS READY NOW FOR TECHNICAL DEMONSTRATION IN A FIRST MODULE OF A FULL SCALE COMMERCIAL PLANT.

DOE DESIRES TO ACCELERATE THE COMMERCIALIZATION OF THE SRC TECHNOLOGY AND HAS PREPARED A PLAN FOR DOING SO. EXECUTION OF THE PLAN WILL PERMIT THE PRIVATE CONSTRUCTION OF COMMERCIAL SRC PLANTS AND PRODUCTION OF SIGNIFICANT QUANTITIES OF LIQUID AND/OR SOLID SRC FUELS BY 1990. PRO-PONENTS OF THE LIQUID AND SOLID SRC TECHNOLOGY, GULF OIL CORPORATION AND SOUTHERN COMPANY SERVICES, INC., RESPECTIVELY HAVE AGREED TO UNDERTAKE PARALLEL LIQUID AND SOLID SRC PROGRAMS.

CONGRESS AUTHORIZED FOR FISCAL YEAR 1978 \$30 MILLION FOR CONSTRUCTION OF SOLID PRODUCT SRC PLANT (SRC-I) AND \$10 MILLION FOR TECHNOLOGY ASSESSMENT AND DESIGN OF A LIQUID PRODUCT SRC PLANT (SRC-II).

B. SOLVENT REFINED COAL DEMO PLANT (LIQUID SRC II)--
OBJECTIVE: DEMONSTRATE THE TECHNICAL, ECONOMIC, AND ENVIRONMENTAL ACCEPTABILITY OF THE LIQUID SRC II PROCESS FOR CONVERTING HIGH SULFUR COALS INTO MARKETABLE, CLEAN-BURNING LIQUID FUEL SUITABLE FOR USE IN UTILITY AND INDUSTRIAL BOILERS.
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C. APPLICABILITY - REGIONS/MARKETS--ELECTRIC POWER GENERATION - PRINCIPALLY IN NORTHEASTERN US.

D. TECHNICAL SPECIFICATIONS--DEMONSTRATION PLANT WILL BE 6,000 TPD "FIRST MODULE" OF A 30,000 TPD COMMERCIAL PLANT. THE FULL-SCALE COMMERCIAL PLANT WILL PRODUCE THE EQUIVALENT OF 90,000 BPD OF CRUDE PETROLEUM.

PRODUCT IS SCHEDULED FOR TESTING IN A UTILITY BOILER IN JUNE 1978 TO DETERMINE ITS BOILER EFFICIENCY AND ITS ENVIRONMENTAL SUITABILITY. PRELIMINARY INDICATIONS ARE THE PRODUCT WILL MEET EPA CLEAN AIR STANDARDS.

COMPARED TO SRC-I: SRC II USES MORE HYDROGEN, REQUIRES TWO TO THREE TIMES THE REACTOR VOLUME, ELIMINATES THE DIFFICULT FILTRATION STEP.

E. LOCATION--NOT YET SPECIFIED, BUT PROBABLY IN THE APPALACHIAN AREA.

F. PROGRAM TIMETABLE--PRELIMINARY DESIGN FY 78;

DETAILED DESIGN FY 79-80; CONSTRUCTION FY 79-82; OPERATION
FY 82-84.

G. TOTAL ESTIMATED COST--\$600-700 MILLION.

H. PROJECT PARTICIPANTS--GULF MINERAL RESOURCES CORPORA-
TION IS EXPECTED TO BE THE CONTRACTOR.

RUHRKOLE A.G. WHO HAS BEEN INVOLVED SINCE 1974 IN THE
SRC II PROCESS WITH GULF HAS EXPRESSED INTEREST TO PARTI-
CIPATE WITH GULF IN THE DOE SUPPORTED DEMO PLANT.

FRG/BMFT HELD PRELIMINARY DISCUSSIONS WITH DOE OFFICIALS
FOR POSSIBLE DOE/FRG FINANCIAL SUPPORT IN THE SRC II PRO-
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JECT.

A GROUP OF UTILITIES HAS INDICATED INTEREST IN PURCHAS-
ING THE OUTPUT OF THE PLANT.

3. WHILE MATSUURA WILL PURSUE MATTER FROM WASHINGTON,
EMBASSY SHOULD REINFORCE HIS APPROACH AND ALSO EXPLORE
DIRECTLY WITH MITI AND/OR OTHER APPROPRIATE JAPANESE
OFFICIALS WHETHER OR NOT JAPAN WOULD BE INTERESTED IN
PARTICIPATING IN THIS PROJECT. IF THEY ARE INTERESTED,
DOE IS PREPARED TO RECEIVE JAPANESE DELEGATION IN WASH-
INGTON FOR FURTHER DISCUSSIONS OR ALTERNATIVELY TO SEND
US DELEGATION TO TOKYO IF THAT IS PREFERRED BY JAPANESE.
VANCE

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